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Interim Report of the European Commission of the National Industrial Conference Board

National Industrial Conference Board

July, 1919

National Industrial Conference Board

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THE National Industrial Conference Board is a co-operative body composed of representatives of national and state industrial associations, and closely allied engineering societies of a national character, and is organized to provide a clearing house of information, a forum for constructive discussion, and machinery for co-operative action on matters that vitally affect the industrial development of the nation.

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N O T I C E !

The Final Report of the European Commission of the National Industrial Conference Board will, it is expected, be issued about September 15th. It will give the facts upon which the Commission's Interim Report is based, and will carry into full detail a descriptive analysis of the industrial situation as the Commission found it in Great Britain, France, and Italy.

There will be a full discussion of the new machinery to effect readjustments between employers and employees, with special emphasis upon the Shop Steward Movement, the Works' Committees, and the general radical tendency to be found particularly among British workingmen. Due recognition is given to the political situation which lies behind the industrial unrest.

The Report will draw such practical lessons for American industrialists as seem justified from this broad survey of European experience.

Copies of the Final Report may be obtained from the BOARD at \$2.00 each. Remittance should be made with the order.

NATIONAL INDUSTRIAL CONFERENCE BOARD
15 Beacon Street, Boston, Mass.

August 1, 1919



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INTERIM REPORT
OF THE EUROPEAN COMMISSION
OF THE
NATIONAL INDUSTRIAL
CONFERENCE BOARD

JULY, 1919

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NATIONAL INDUSTRIAL CONFERENCE BOARD
15 BEACON STREET
BOSTON, MASS.

F o r e w o r d

The European Commission herewith presents, in advance of its complete report, some general conclusions which it hopes may be of value at this time when industrial questions, and especially the relations of employers and employees, occupy the front of the stage. In this Interim Report it is not possible to give the body of facts on which the Commission has based its opinions. At the best it is only possible to state briefly the general situation. Those who wish to acquaint themselves more fully with the facts should consult the complete report, which it is hoped may be issued at an early date.

It is to be understood that the Conference Board prints this Report, not as an expression of its official position, but as that of the members of the Commission herewith appended.

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Interim Report of the European Commission of the National Industrial Conference Board

CHAPTER I INTRODUCTION

The upheaval caused by the European War has not only produced a disturbance in normal conditions of industry, commerce and finance, but it has raised very difficult questions as to the means by which reconstruction may be accomplished. A knowledge of how the processes of readjustment are going on in Europe is of vital interest to Americans. The European Commission of the National Industrial Conference Board was concerned in its investigations chiefly with the problems arising from the relations between employers and employees. In its conclusions, arrived at from an examination of two or three months, obviously no exhaustive statements can be made on many matters, each of which would require much time and space for their full treatment. Yet some results of a practical kind have been reached which it is hoped may be of value to the industrialists of the United States.

The
European
War

Your Commission sailed March 1, 1919, and returned May 18, 1919. In general, it was attempted to get the point of view of government officials, of labor leaders and of employers. About April 1st, after visits to establishments in the Midlands, North of England, Scotland and Wales, the Commission went to the Continent, studying conditions in France, Belgium and Italy. The industries in the neighborhood of Paris, Lille, Douai, Lyons and Saint-Etienne, as well as those in Genoa, Milan and Turin, were visited. In each country high officials and executive managers seemed ready to furnish all information available and no difficulty arose in seeing industrial works of all kinds.

Countries
Visited

Upheaval of War

In all the countries visited it was evident that the economic life of the people had been greatly disturbed by the war. Laborers had been withdrawn from industry to a much greater extent than in America; new laborers, women, those formerly unemployed, and foreigners, had been introduced to fill urgent needs; the working of demand and supply in all directions had been interfered with; new machinery and processes has been devised to aid unskilled labor; in many instances labor organizations for patriotic reasons had given up old restrictions on output; production was shifted to the making of munitions and articles needed for war; great changes in industrial organization resulted; Governmental control of industry on a vast scale was inevitable; control by Government Boards and price-fixing of most needed articles followed; many new factories were built for war production, and private concerns became "controlled"; shipping was taken over by the State; and foreign trade, exports and imports, acquisition of food and raw materials, especially of coal, became entirely deranged. These and other considerations caused a mighty upheaval in industry.

New Conditions

The process of reconstruction needs time and wisdom. The long strain of war and of prolonged physical exertion in the shops and offices has led to an inevitable nervous reaction. Irritation now develops on slight provocation. To this have been added difficult economic influences, chief of which has been the rise in cost of living to over 100 per cent of pre-war prices. While members of different social classes have come to value one another more highly through common service in the trenches, yet old social conventions have been challenged anew. The laboring classes have won new prestige by valiant conduct in the war, and their organizations have greatly increased in membership. Then, too, it was to be expected that political parties should manoeuvre to secure leadership over an electorate stirred by new issues. In all these countries political forces have played a very large part in the questions of labor and industry.

The Governments were forced by the exigencies of war to deal with large groups rather than with individuals; thus organization among both workers and employers was stimulated. Organized labor, especially

in Great Britain, has come out of the war greatly impressed by its increased political and industrial power. A closer co-operation between all the factors of production was necessitated by a common danger during the war. This was an element of strength which in some cases will continue, but which cannot now be definitely counted upon. Indeed, the rising tide of discontent among the laboring classes has been aided no doubt by an international propaganda springing from extreme elements of disorder. New and often extreme demands are being made for nationalization of leading industries and for a larger share of control. With industry crippled by the war, these demands have obviously aggravated what must in any event have been, after so great a disturbance, a very difficult situation.

Moreover, the huge war debts and the public credit of European countries touch intimately all industrial conditions. Industry and employment of labor cannot begin effectually unless machinery, equipment, rebuilding, and raw materials can be paid for. Indeed matters of public credit seem to lie at the very basis of early reconstruction and the restoration of normal labor conditions.

Discontent

War Debts

CHAPTER II

EFFICIENCY OF PRODUCTION

Early in our investigations the question of efficiency of production presented itself. Everywhere, especially in Great Britain, there was expressed a fear of American competition based on the belief that the war had greatly increased the burdens on European industry from which our country was largely free. But even before the war our superiority in relative costs had become apparent. As an instance: one large English automobile firm made an offer to an American manufacturer of four-cylinder engines to buy at the best American dealer's price, paying transportation to England, a thirty-five per cent import duty, and yet expected to sell his car in competition with English-made cars of the same quality. This relative disadvantage seems to be mainly due to inferior manufacturing methods and organization. Moreover, English freight rates are high; it costs as much to send a machine tool by railway freight from Glasgow to London as from New York to London. Although America owes much to large scale production, good manufacturing methods and superior factory organization, such conditions, of course, do not obtain in all industries to the advantage of her producers. On these matters, however, it is of first importance to American producers that they get all available knowledge regarding the efficiency of production in other countries.

Each manufacturer is concerned directly with the relation of his outlay to his production. In all competitive industries this margin of difference between outlay and product is vital to continuance in industry. Given a rising total cost — whether due to increasing prices of materials, labor, taxes, or what not — his own possibility of continuing in production lies in his ability to enlarge his output (that is, to increase the number of units of goods produced by a given quantum of labor and capital); or to raise the selling price to the consumer of each unit of product. In the latter case, the purchaser (in other words, the public)

should have something to say. If, therefore, producers in other countries should become as efficient as American producers, and if prices are limited by conditions in international markets, as they surely must be, American manufacturers paying the higher labor rates would be forced out of the competitive field.

Schemes for the stimulation of productivity have been tried in the countries visited. With the British workmen, the offer of a bonus or premium for more or better work has not been very popular. Piecework, however, which was quite general before the war, has been more universally introduced. It has often given the workers higher wages while the management got the benefit by a spreading of the overhead charges. The employers agreed that during the war piece rates once set should not be reduced; this removed the objection of the workers and resulted in many cases in very high productivity with consequent high wages. For instance: women and unskilled workers on repetitive war work came to earn more than the previous earnings of skilled men working at day rates. Before the war the objection to piecework by the workers was that, when earnings rose, the manager lowered the rate; consequently, the interest of the worker in enlarging productivity was removed on the ground that all the benefits of increased production inevitably went to the employer.

In Great Britain, having a surplus of labor, a system of restricting output had grown up previous to the war. It was generally understood that "ca'canny" methods were in existence in many British industries. It was often stated that the policy of the employers in reducing the piecework rate when wages rose to a high level was the reason why some unions in self-defense adopted the principle of restriction of output. In the relative order of their importance, the leading reasons for restriction of output by British trade unions are the following: fear of rate-cutting by the employer, dread of unemployment, the desire to protect inferior workers, the wish to safeguard health, and the natural human disinclination to work too hard. In regard to restriction of output in connection with the war, certain unexpected results happened. Under the stimulus of war conditions, the introduction of improved machinery and speeding up of operations, it became clear

Piecework

Restriction on Output

The Network of Restrictions

to every one that labor effort before the war had not been at its highest efficiency.

In the period before the war the unions had established a complex system of restrictions on output. This affected the standard rates of wages, length of the working-day overtime, night work, Sunday duty, mealtimes, and holidays; also the exact classes of operatives (unskilled laborers, women, apprentices) to be engaged on various kinds of work on particular processes with different kinds of machines; the employment of unionists; the processes or machines to be used for particular tasks; the speed at which machines should be worked; the employment of boys or girls, if employed at all, or in what processes; fixing of piece rates and allowances; and the amount of output by each operative that should be considered a fair day's work. It has been generally supposed that all of these restrictions were removed during the first year of the war at the request of the Government. In actual fact by no means all of these restrictions were given up. Those which were removed other than those affecting hours and wages, concerned chiefly the employment of women and unskilled persons in munitions works. The undeniable increase of production during the war, it is clear, cannot be due solely to the withdrawal of the union restrictions. In addition, there was an introduction of new and effective elements of management, such as large scale production, standardization of operations, and the bringing in of new machinery by which repetitive processes could be carried on by hitherto unskilled persons. Consequently a sweeping transformation occurred in the organization of British industry. New processes and new classes of labor were introduced.

Restoration of Restrictions

Although the Government had made a promise that the restrictions should be restored after the war, it was discovered that the organic changes in industry had been such that it would be impossible now to go back to pre-war conditions. It has been realized by such authorities as Sidney Webb that restoration cannot be carried out; therefore the present situation is colored by this impossibility and by the fact that the labor union leaders regard this situation as a reason why they should be given equivalent advantages in some other directions. If they yield their demands for the restoration of restrictions, as they must, they will use

their position in bargaining to make a demand for other things. In fact, they are actually demanding in exchange an extended programme of reform, aiming ultimately at nationalization and the control of industry by organized labor.

An illustration of reduced efficiency of production is found in the coal industry, which is, of course, one of primary importance not only to Great Britain but to all her competitors. The ability of the British to produce coal cheaply and to employ it in the working up of raw material has been essential to the maintenance of her foreign trade. Since coal is an indispensable necessity for all classes of the community, the coal-mining industry could exercise a powerful influence in bringing industry to a standstill. The expense of production of coal has risen to such a point that America can successfully compete with her in selling coal in many foreign markets. Cheap British coal seems to have gone forever. One reason evidently is the decreasing efficiency of the miners together with a demand for higher wages and shorter hours of work. Fully 95 per cent of the miners have organized in unions. They have been aggressive and unwilling to compromise. In March, 1915, they refused to sign the Treasury Agreement and were unwilling to surrender the right to strike. When the Government was compelled to place them under the provisions of the Munitions Act, in July, 1915, they did not acquiesce. In December, 1916, under authority of the Defense of the Realm Act, the Government took control of the mines, at the same time conceding a substantial increase in wages. As to housing conditions, our examination in Wales showed that they were not as bad as commonly represented. The miners receive wages enough to live in comfortable houses, but were often content with old and poor quarters.

In February, 1919, they demanded an increase in wages of 30 per cent and a reduction in working hours of 25 per cent, together with the acceptance of the principle of the ultimate nationalization of the industry. The Government appointed a Coal Commission whose report was named from its chairman, the Sankey Report. The Government adopted and the miners ultimately accepted this report, which recommended not only an increase of 2s. per day worked and a reduction,

The Coal Industry

Attitude of the Miners

Rise in
Price of
Coal

United States
Increasing its
Exports of
Coal

beginning July 16, 1919, of the hours of labor from 8 to 7, but "subject to the economic position of the industry at the end of 1920," the hours of labor per day were to be reduced to 6 hours at and from July 13, 1921. In June, 1919, after considering the question of nationalization, the Coal Commission, in the main report, signed by Justice Sankey, recommended immediate legislation for the acquisition of the mines by the State. It is now a question whether Lloyd-George's coalition government and the people will accept the policy of nationalization thus proposed.¹

Along with this industrial disturbance in the coal industry has gone a serious reduction in the output of the mines and a rise in the price of coal both for export and for domestic consumption. Before the war the average annual output for the coal mines was about 270 million tons. In June, 1919, Sir Auckland Geddes informed the House of Commons that the annual production from July, 1919, could not be more than about 217 million tons; and he warned the public of the coming scarcity and high prices of coal. Already coal had increased in price. Sir Richard Redmayne, Chief Inspector of Mines, showed that the wage cost per ton at the pit mouth had risen from 6s. 4d. in 1913 to 15s. 4½d. in 1918. The cost of coal at the pit mouth had increased from about 10s. in 1914 to 24s. 10d. in September, 1918. The average selling price in London in 1914 was 25s. 6d. a ton, while the controlled public price in 1918 was 43s. 6d. and in July, 1919, it was increased by 6s.

As a consequence, American coal exporters have made inroads into markets formerly supplied by Great Britain. To Brazil, Argentina, and Uruguay shipments from the United States have increased from 96,000 tons in 1910 to 1,619,000 tons in 1916; while British exports to these countries had fallen off from 6,304,000 tons in 1913 to 1,105,000 tons in 1916. Of course much of this change should be attributed to the difficulties in obtaining shipping and to the obvious effect of the war on the distribution of coal. It remains true, how-

¹ Recent events in July, 1919, show a very serious situation. In Parliament a strong opposition to nationalization has arisen. Thereupon the coal miners have gone on a strike to enforce the recommendations of the Sankey Report. Sir Auckland Geddes explained that the rise in the price of coal was dangerous to British industry; but, as yet, the governmental officials have not stopped the strike.

ever, that the United States has been increasing the quantity of its coal exports to Italy, Sweden, Spain, and other countries. The explanation of this change in exports is partially due to the fact that, in the period up to 1912, the output in tons per employee had fallen in Great Britain from 312 to 244 tons, but that it had risen in the United States from 400 to 660 tons.

The relative efficiency of production is directly affected by the use of mechanical coal cutters. Between 1903 and 1917 the number of machines used in the United Kingdom increased from 643, producing over 5,000,000 tons of coal, to 3,799 machines, producing over 27,000,000 tons of coal; while in the United States in the same years the number of machines increased from 6,658, producing over 69,000,000 tons of coal, to 16,197 machines, producing over 253,000,000 tons of coal. In fact, in 1912 and 1913 only 8 per cent of English coal was obtained by the use of coal-cutting machinery as contrasted with probably 51 per cent in the United States. It also is clear that the English collieries and docks — certainly in Wales — are not equipped with such modern labor-saving machinery as in the United States. The absence of modern devices for saving of labor in boiler houses and on the surface generally is very noteworthy. No doubt before the war labor was cheap and it was more profitable to employ labor than to introduce machinery. In some parts of England, however, especially in the Durham Field and on the docks at Newcastle and South Shields, better trucks and electric haulage with modern tips and cranes have been introduced. The attitude of organized labor to this introduction of machinery is not clear. In the investigation of your Commission, it seemed plain that, while open opposition might not have existed, something was always happening to the machinery to prevent its efficient use. In fact some definite antagonism to machinery was clearly indicated.

In regard to the general question of efficiency of production it is to be noted that these conditions are not confined to Great Britain. The United States has not escaped them. This statement is true not only of coal mining but also of other industries. In one of our shipbuilding yards, for instance, it was found that a certain steel ship had required before the war 200,000 hours of labor to construct it at 30 cents

Labor-Saving Devices

Loss of Efficiency in the United States also

per hour; today a sister ship, in every respect the same, has just been completed, requiring 400,000 hours of labor, but paid at 70 cents per hour. In this case, therefore, it appears that the efficiency of labor — irrespective of materials, engines, etc., — has fallen in the ratio of 6 to 28. A part of this loss of efficiency was undoubtedly due to lack of skill by the new men employed in the industry, but much of this loss must be accounted for by the deliberate practices of the workers; but too much importance should not be assigned to this one case. It is highly important, therefore, that our industries should foresee the inevitable dangers facing us if we do not counteract the tendency for the wrong point of view to spread among our workmen — the view that more employment in a country where there is a surplus of labor can be obtained by lowering the production of each worker. The forces which, undirected or wrongly directed, have already brought British industries to such an *impasse*, should not, by our careless passiveness, be permitted to produce the same effects upon our own.

CHAPTER III

LABOR PROBLEMS

One general conclusion appears to be obvious; in a country whose population supplies a surplus of labor the whole industrial situation becomes thereby different from that where the labor supply is short. The former condition is exemplified in Great Britain. In France, however, there is no national surplus of labor, and as a consequence labor makes no opposition to the introduction of labor-saving machinery. Not only is there no fear that it will reduce employment, but it is looked upon as a means of making the tasks of labor less onerous and more agreeable. In addition, there is a sympathetic attitude toward scientific management. The difference which the absence of a surplus of labor produces may partly account for the very interesting announcement in the Programme of the General Federation of Labor (*Confédération Générale du Travail*) headed by Léon Jouhaux:

No Surplus
Labor in
France

"The formula for the working class should be — a maximum production in the minimum working time for a maximum of wages.

"For the employer, — a maximum development of shop equipment to produce a maximum output with a minimum expense of production."

In Italy the surplus of labor produces a situation akin to that of Great Britain and yet very different from it. The Government does not dare to demobilize its army while industry has not yet resumed normal activity. There is much unemployment; strikes are prevalent and radical leaders maintain their power by threats and actual violence.

Surplus in
Italy

It was obvious that there was a widespread discontent among the workers in all industries and in all countries. Discontent in itself may not be a sign of danger; on the contrary, it may be a healthy sign of progress morally and materially towards a higher standard. With such an attitude of mind there must be general

Causes of Discontent

sympathy. In the present difficult conditions of reconstruction, however, the inevitable discontent has been magnified by a propaganda carried on by extreme elements opposed to the proper conduct of orderly government. The British Minister of Labour, Sir Robert Horne, explained that:

The industrial unrest was due, among many things, mainly to the following causes: the long strain of the war; the nervous effect produced by the extreme industrial efforts of the nation; the disturbance of normal economic life; the rise in the cost of living; and, in a certain measure, an absorption into English thinking of the revolutionary movements of Europe.

The cause undoubtedly having the most practical import is the high cost of living, due not only to a scarcity produced by the emergencies of war, but to the high rates of wages which have in turn added to the costs of production. In Great Britain, during past decades, British industry gave little or no attention to the drab and distressing conditions of life surrounding the workmen. While commercial supremacy seemed fairly assured, little attention was paid to what the employer ought to have done by way of anticipating the grievances of labor. As a consequence unionism and labor agitation have been growing apace. A fertile soil in which such an agitation could grow, existed even before 1914. After the upheaval of the war the situation naturally furnished opportunity for the work of the extreme radicals. Discontent was fanned into a movement urging a radical modification of the existing capitalistic system and even of the structure of government. Certain socialistic elements propose to satisfy social unrest merely on a materialistic basis; that is, to solve social ills primarily by the offer of larger material rewards. Such a policy does not aim to supply the moral and educational forces necessary to a higher standard of living.

Two different states of mind must be recognized in the labor world of Great Britain. On the one hand, there is the large body of workers imbued with a respect for law and order, and who, while endeavoring to improve their material position, are not influenced by radical appeals to violence or against existing forms of property, and who have a respect for a lawful

The Moderate and Radical Attitudes Contrasted

government. On the other hand, there has risen a radical, even revolutionary point of view which threatens not only the peaceful order of society but aims in its extreme form at the domination of the industrial system and the overthrow of orderly government. But radical views have permeated all classes of labor. All these radical views aim at nationalization of essential industries, at "democratic" control of industry, and a "democratic" use of the powers of the State. Moreover, there is probably a common agreement in regard to heavy inheritance taxation and the expropriation of large landed wealth. The great difference of attitude arises in regard to methods of action and to speed in attaining their ends. Some would rely on industrial action alone, that is on a policy of force; some would continue political and industrial action separately; some would use industrial in support of political action. British alliances and federations, however, as explained by labor leaders themselves, claim their organizations will be a means of avoiding violent action. They aim at control over their members so that unauthorized strikes will be impossible. The unauthorized strike, they believe, will be unnecessary. The more radical, however, feel that the rising forces of "democracy" are on their side and that the present capitalistic system is doomed. With some elements employers obviously can expect to make reasonable adjustments if both sides come together. With the radical element it must be at once admitted that even reasonable proposals are not likely to bring about permanent adjustments, inasmuch as their ultimate object is the control of industry, nationalization and a dominance over the State. No grant of intermediate concessions will stop their ultimate demands.

It is clear that the policy to be adopted by employers must vary with the existence of these different elements in the establishments of the employers. For this reason a method of communication between employers and employees by such machinery as Works Committees may function properly with workers of the less radical class. A machinery by which discussions of grievances may be presented and fully discussed by both sides often removes the possibility of friction and strikes; that is, Works Committees may be of use under these conditions. On the other hand, where the

The Policy of Force

radical elements are reaching out for the control of industry it may happen that unofficial Shop Stewards and their committees are used simply as a means of strengthening their position for further advances. Hence, while such methods of mutual discussion have their advantages, in themselves they are not a complete remedy, since much depends upon the attitude of mind on both sides of the discussion and upon the local conditions surrounding the industry.

The methods of trade unionism may be described in general as those of collective bargaining, conciliation and arbitration to prevent and settle disputes, a stoppage of industry, or political action. It is significant that the radical element does not care for the more peaceful methods, but is inclined to the fuller use of the industrial weapon. The industrial unionists seek the abolition of the State and the substitution of a purely industrial society. There exists a well-defined policy based upon force. If organized effort is directed to the use of force, it is clear that it will result only in resistance quite as obstinate by the other elements of society, and no progress is likely to result. If this war has taught us one thing more fully than another, it is that force is a wholly inadequate means to produce a permanent and satisfying result.

Several large federations exist which aim at industrial action, as, for instance, the Triple Alliance, composed of:

The Triple Alliance

- (1) The Coal Miners,
- (2) The Transport Workers, that is, Sailors, Long-shoremen, and Drivers.
- (3) The Railwaymen.

In these industries, which are necessary to the daily course of life, the workers are able to threaten the stoppage of the ordinary functions of life in such a city as London for the purpose of gaining their industrial ends. It was the Triple Alliance which brought about the industrial crisis in England in February and March, 1919.

On the other hand, the employers wish to avoid force. In view of the difficult situation produced since the war, it is now obvious that British employers are waking up and searching for methods of establishing

better relations between individual employers and their workmen. As Sir Allan Smith said (February 27, 1919) to the unionists: "You are under an absolute misapprehension as to the attitude of the employers in the present state of difficulty and unrest. Many of the employers are prepared to go very much further in the amelioration of the conditions under which you work than some of you have any idea of."

It was also noted by your Commission that extreme radicalism was confined to a minority, but that this minority was enterprising and noisy. Indeed, starting from a very moderate demand for state interference, on through advanced socialism, there were insensible gradations down to revolutionary Bolshevism. In British unions radicals were striving to wrest control from the more moderate leaders by efforts to get possession of the machinery of Shop Stewards (men chosen to present the claims of laborers) or Shop Committees. There is, therefore, a fear among many employers regarding such committees, arising from a possibility that, when the total labor force has been incorporated into unions, the radicals will gain control of a larger power with which to dominate employers and the Government.

In France the socialistic radicals elected a group of deputies who have a large political influence; but the chief labor organization has officially recognized an economic relation between wages and productive efficiency. The French can, however, be greatly influenced in conduct by ideas rather than by facts. The idea that France must be defended, even though Germany was stronger and better prepared, explains why she rose to the occasion so marvelously in the last war. There is, therefore, the possibility that in a time of unrest an idea might be used by unscrupulous leaders to arouse the French working classes to a sudden frenzy. In Italy the laborers are not largely unionized; but it is the active radicals who dominate the unions, while the conservative element in case of disputes usually follows the radical leadership.

In general, it was found in Great Britain, France and Italy that a very large percentage of the working classes were opposed to methods of force or to action against law and order. As a consequence, although

Radical Policies

France

Italy

**Efficiency of
Production
the only
Remedy**

advanced radicalism is proposing the general strike and nationalization, it may be safely concluded that Bolshevism is not likely to produce serious disturbance in these three countries.

The cost of living in Europe has gone up and wages have had to be raised accordingly; but this set of conditions means a high cost of production, high prices of export goods, less exports and lowered competitive power in foreign markets. It may be that this situation is only temporary; that high costs may fall when shipping is released from war duties, freights fall, materials and food become cheaper. In that case, wages could fall without reducing the purchasing power of wages. Meanwhile the only way out is co-operation between employers and employees in a common effort to increase the efficiency of production. Unfortunately the labor leaders of Great Britain and Italy at least have indicated no such purpose. They are striving for increased unionization and a greater share in the management, often without reference to efficiency or to the willingness of the public to absorb the product at the higher cost. The imperative need is co-operative action to get larger production at a lower cost.

**British
Employers
not
Generally in
Favor of
Complete
Unionization**

Contrary to some reports that have come to this country, much evidence was given to us that British employers were not all in favor of complete unionization of their workers. This wrong impression may be due to the action of Governmental agencies in urging the formation of organizations with which the Government could deal. It should be emphasized, however, that there was no general desire on the part of employers to encourage organization of unions. On the contrary, many strongly advised American producers to oppose this tendency. But it was a fact that employers' federations were in constant negotiation with trade unions and had a complete scheme for collective bargaining.

**Joint
Councils in
Themselves
not a
Remedy**

In the hope of bringing about a better state of mind in England, machinery for joint discussion between employers and their employees has been devised. Resort has been had to Shop Committees or Councils, especially in large establishments, as a means of communication between the management and the workers. Undoubtedly a means of bringing together both parties to a

difficulty for a frank exchange of views is likely to help in creating a desirable spirit. Regarding methods of improving the conditions of labor it was admitted at once that many employers have been sluggish, thoughtless, unobserving, and selfish; and that they are largely responsible, by their lack of prevision, for the existing state of discontent. But it is a mistake, according to our view, to suppose that mere machinery for joint discussion is likely to prove a cure-all. Back of these proposals lies the more important fundamental, namely, the spirit and reasonableness of both parties to the discussion. At present, in spite of the existence of a large body of reasonable workers, there appears to be a truculent, bellicose, and threatening attitude on the part of many labor leaders which is not promising. On the other hand, much of the inertia and disregard of the needs of their employees by employers has vanished, and they are willing to go a long way to meet the demands of labor. So far, radicals have only too often regarded a desire by employers to make concessions as a sign of weakness. Their eyes are fixed on the ultimate goal of a reconstruction of society. As already observed, only too often a concession gained does not bring satisfaction, but only a new power to be used in making additional advances. There is needed a more reasonable spirit among labor leaders and a disposition to see the practical difficulties of industry. It may be that this may come about by joint discussions. Yet the acquiescence in new proposals, new legislation, seems only to indicate to radical leaders that nothing is likely to stop their progress.

What gives the British employer pause in regard to encouraging unionization is the fear as to the policy likely to be adopted by the unions. The new labor demands are not for joint control by labor and capital, but for an actual transference of some of the power of capital to organized labor. The movement to secure this control has arisen from the rank and file of the workers and has expressed itself in what is known as the "shop stewards' movement." They feel that the established unions do not voice their point of view. They have, therefore, chosen to represent them, shop stewards, who have formed works committees and shop committees within the factory, and even workers' committees having jurisdiction over most of the

factories in a district. Hence this sort of organization based on the workshop aims at a policy of control. As Mr. Cole says: "A shop steward's movement may have come into being in consequence of some immediate grievance, often of a quite minor character; but every such movement, and indeed every rank and file movement, whatever the form it takes, as soon as it gets down to reflection upon its position, adopts a policy which plans control in the forefront of its demands." Inasmuch as the unions are trying to regularize the shop stewards, there is a fear that the latter may dominate the policy of the unions.

The difficulties of reaching an adjustment by the organs of private negotiations have led to an appeal to law. Labor leaders abroad in the last ten or twenty years have been eager to take advantage of political action. In Great Britain, France and Italy the interference of the State in labor matters has been frequent and extensive. There is, however, no evidence to show that discontent has been lessened by legislation. In fact the issues at stake are not of a kind to be solved by law,—any more than trying to make men good by law. It was not law that led to the development of industry, but the process of saving and production by individuals prompted by self-interest, and only receiving from the State protection to the rights of person and property.

Politicians have been watchful of new issues and of the opportunity to catch votes. A Government appealing to a large electorate, like that in Great Britain, must, in order to keep public approval, offer some solution. While the Reconstruction Committee had, of course, a more inclusive purpose, it was through its sub-committee on "Relations between Employers and Employed" that there appeared an Interim Report on "Joint Standing Industrial Councils," March 8, 1917, named after its chairman, J. H. Whitley, M.P. This report urged the organization in each industry of councils chosen from both employers and workers to consider matters affecting their closer co-operation, such as the restoration of Trade Union Restrictions withdrawn during the war. The full scheme provides in each industry a National Joint Standing Industrial Council, to be set up by agreement between employers' associations and the trade unions in that

**State
Interference**

**Legislation
Ineffective**

**Whitley
Councils**

industry, and to contain equal numbers of each side; District councils, to be set up by the National Council, and to be similarly constituted, and Works Committees in the individual plants. The purpose is to grant the workpeople "a greater share in the consideration of matters affecting their industry," such as (to mention only a few) fixing wages, piecework rates, security of employment, improvement of processes, and questions relating to management. As Mr. Cole has said with regard to these councils: "The working-class demand for a growing measure of exclusive control over industry has been freely countered by the offer of a partial and limited joint control by employers and trade union representatives." The Government, through the Ministry of Labour, is urging workers and employers to establish these councils. As the committee suggested, the plan could work only where there were "responsible associations of employers and workpeople." Hence, we have an explanation of the Government policy of urging a complete organization of all laborers in unions. Substantially all the employers consulted felt that, where a disposition existed to get on with employees fairly, these councils were a hindrance rather than a help, because the pressure of the Government on employers introduced the political element; and in some cases the settlement by District or National Councils involved decisions by persons who misunderstood local conditions and hence made adjustments with employees more difficult. Nevertheless, these councils are in fact being established in many British industries.

An enlargement of the Governmental policy in Great Britain regarding labor has appeared during the last few months in the creation of the National Industrial Conference. The credit for this plan is claimed by The National Alliance of Employers and Employed, who suggested it to the Government. On February 27, 1919, a conference of 800 employers and workers was called by Lloyd-George, this being a time of a very tense labor situation and serious industrial unrest. It seemed to the Government that it must offer a solution, instead of leaving it to employers and employees. The February conference led to the appointment of a Joint Industrial Conference of 30 employers and 30 labor delegates. This Joint Conference, March 4th, ap-

Industrial Conferences

pointed three sub-committees. The Sub-Committee on the Causes of the "Present Unrest and on the Relations of Employers and Employees," made an interim report in April, 1919. A plan was proposed, the essence of which is to create organizations by which the Government can reach both employers and employees.

It will be seen at once that, while many recommendations are made, no solution of the problem of unrest is given,—only the machinery for joint discussion. In fact, additional opportunity is offered for the urging of the demands of labor. This being the assumption, it is obvious why the Governmental policy steadily works towards granting more and more of these demands by putting political pressure upon employers. All wish to see better conditions for the workingmen; the question as to how they are to be brought about is the pivotal one. The public is becoming saturated with the idea that if labor makes demands, they must be met; but not a word as to the means with which the employers are to meet them; if higher prices to consumers are not to follow, then some source for wages must be found not indicated in the thinking of those who make the demands.

The most considerable introduction of politics into the industrial question has been, of course, the formation at the Paris Peace Conference of an International Labor Conference, which has proposed certain clauses affecting labor to be inserted into the Treaty of Peace. Of the nine principles, three are of the most importance:

1. In right and in fact the labor of a human being should not be treated as merchandise or an article of commerce.
4. Every worker has a right to a wage adequate to maintain a reasonable standard of life having regard to the civilization of his time and country.
7. Limitation of the hours of work in industry on the basis of eight hours a day or forty-eight hours a week, subject to an exception for countries in which climatic conditions, the imperfect development of industrial organization or other special circumstances render the industrial efficiency of the workers substantially different.

Without going into a specific discussion of the standard of living or the eight-hour day, it is to be noted

that these primary demands of organized labor have thus been given international advertising, and that it is intended to bring the pressure of all Governments to bear on the adoption by each country of such a measure as an eight-hour day. It is a very adroit means of establishing in the minds of the public, who have not closely followed the matter, that the eight-hour day is coming anyhow and hence that a legal enactment might as well be accepted now as well as later. While it is patent that such a law cannot be applied equally to all industries or to all kinds of workers,—and the Paris proposals make provision for some exceptions,—yet the inclusion of this clause in the Treaty of Peace makes it very difficult to prevent its introduction into kinds of work where it would be wholly inapplicable.

The immediate effect appeared in an agitation for the passage of an eight-hour law by the French Corps Legislatif. This act was passed April 18, 1919. It was a part of the general understanding to say that it was certain also to be enacted by national legislation in the United States; that it was coming in all countries; and this misunderstanding was used to assure the passage of the French law. It was even asserted that French employers had assented to its enactment. After considerable inquiry we found this not to be an assent without a protest. The Minister of Labour had called a conference of employers and labor leaders to discuss the proposed eight-hour law, and pressure had been exerted on the employers. The latter indeed issued a printed protest against the measure, and they also urged that it should not be inserted in the Treaty of Peace. It was declared:

1. That the total production of France before the war was about \$8,000,000,000.
2. That nearly 2,000,000 workers, or 9 per cent, had been killed or maimed.
3. That in workers France had lost one and one-half times more than Germany, two and one-half times more than Belgium, five times more than England and Italy, fifty-six times more than the United States.
4. Together with the frightful reduction in births, which would continue even to 1930, the diminution of 20 per cent in the hours of labor from ten to eight would cause a reduction in the total production of France of \$2,400,000,000, or 30 per cent.

Coming in addition to the systematic destruction in the war, which had not been suffered by its competitors, the uniform and rapid reduction of the labor day to eight hours would, in most branches of national production, according to the protest, be a disastrous influence and would stimulate the exodus of labor from the land to the cities. In many of the French industries the loss of human dexterity could not be made up by any introduction of machinery. And yet, at this critical time, taking advantage of the mental, moral, and industrial upheaval, politics were being played with the labor question, so that the law was quickly enacted by the Chamber of Deputies and the Senate.

In Italy, politics had already been interwoven with industrial questions. As has been said, only a small percentage of laborers is organized into unions; but the extreme radicals control them. They are the ones who make speeches, threaten, and, when striking, resort to violence. Thus they frighten the general body of peaceful workers into joining them in any crisis; and they succeed in intimidating the employers. In recent months, of course, the absorbing question in Italy has been her attitude to the proposed terms of peace. Taking advantage of this situation the extremists have increased their demands and to avoid a general strike while the Peace Congress was in session at Paris, the Government brought great pressure to bear on employers to meet the demands of labor. As a consequence, not so much because of the demands of organized labor as to meet the exigencies of politics, the employers have generally accepted the principle of the eight-hour day. In the metal trades, owing to slack discipline, the old ten-hour day was only equivalent to about nine; so that the change was really only from nine to eight hours. In the textile trades, however, the new act will be almost certainly disastrous. As compared with the pre-war period, labor costs in the cotton mills at the present day have been trebled. In reeling and throwing silk, costs are now 40 per cent above those of Japan, who has driven Italy out of the American market. In March, silk wages were raised 20 per cent; and now the additional payment of ten hours' wages for eight hours' work will be so ruinous that the mills will shut down rather than yield. Although the Government had bought up the silk crop under a valorization scheme, it favored the eight-hour law.

CHAPTER IV

MANAGEMENT

In the whole discussion of labor and its rewards, both in Europe and this country, there is a lack of understanding as to the function and wages of management in industry. The British workers regard management and capital as jointly antagonistic to labor. On the side of employers there is little disposition to analyze the general term "profits" and find out how much of their return is due to the mere possession of capital (either invested or borrowed); how much to insurance against the various risks of bad debts, seasons, unexpected panics, wars, obsolete machinery due to new inventions, etc.; and how much to brains and skill of management. Such ambiguity, where the owner of the capital is also his own manager, is perhaps natural, but in these days of large production, which has necessitated the use of the corporation, the separation of the management from the shareholders (or owners of capital) is known to all. Moreover, as concerns grow larger and operations become more extensive, a division of the various duties of the management into separate branches has become inevitable. Such a breaking up of what was once regarded as the function of one manager has thrown much light on the relation of management to the other necessary factors of production.

Little
Attention
Given to
Management

In trying to get a practical understanding of the function of management it is clear that it covers the following heads:

(a) *Buying* of materials at the right time, foreseeing market conditions often throughout the world, and deciding how far to go in storing supplies ahead. Questions of foreign imports and the price of exchange are to be mastered.

Functions
of a
Manager

(b) *Technical processes.* The state of the arts in all countries, the power to decide whether a new invention will be a commercial success, good judgment in adjusting machinery to floor space and sequence of processes, are matters requiring a special training for years in any one industry.

**Manager
Born, not
Made**

**Manager a
Skilled
Laborer**

(c) *Selling.* To know accurately home and foreign markets, to devise the best selling agencies for a particular kind of product, to know when to sell and at what price, is vital to the continuance of the industry.

(d) *Financing* all operations involved in buying and selling, determining the form of credit, discriminating among buyers as to integrity and promptness of payment, introducing cost accounting, borrowing capital, discounting paper, while dependent on an expert knowledge of banking at home and abroad, require a very exceptional ability among managers.

(e) *Organization.* The capacity to organize an industry into a well-knit whole, to know human nature, and to have an instinct for selecting the right man for a given duty, to keep all parts of the institution in proper co-ordination, to reserve leisure to think, and to keep a grasp on the industrial tendencies of the whole world, is essential to the highest type of an executive.

The industrial manager is not a product of books or education. He is born, not made. Training and education will add to his intelligence and power, but his bent is intrinsic. He is found only by being tried out in actual experience. He comes to the top only by virtue of a great need for such men and by a demonstration of his capacity to satisfy that need. An artist may make a poor mathematician and the son of a rich man may make a poor manager; while the son of the soil may develop a capacity for organization which may place him in control of a house named after a founder of years long gone by. The manager is the pivot of success for any concern. He is the most important figure in the life of industry. He it is who makes employment possible for a labor force of thousands; and yet he is almost always a salaried man.

It becomes obvious, then, that a manager is a man paid for certain very necessary services to industry. He is not paid for the possession of capital. If one were asked to define any form of labor, it would be said that a laborer is a person who provides a service to industry, either physical or mental, in return for an agreed upon payment. Therefore, a manager is a member of the laboring classes, only he is distinguished by being a highly skilled laborer. The services he renders are those of a human being employed in industry. His function is that of a rare, skilled worker.

**High
Managerial
Wages Due
to Scarcity**

When using the word "labor" it is to be remembered that it is general in its meaning, like the word "trees." There are various kinds of labor just as there are various kinds of trees. From the unskilled manual laborer with the pick and shovel there are strata of the slightly skilled, the trained artisan, the skilled mechanic, the civil or mechanical engineer, the specialist, up to the best known organizers. The highest grade of labor differs from another chiefly in capacity for better serving the purposes of industry. Moreover, the wages of the manager are determined on the same principle as that of any skilled labor. That is the principle of scarcity. If skilled carpenters were as numerous as day laborers they could get no more than the latter. The mere fact of skill produces a limited class. Further, the skilled hold their own because they add either quantity or quality to the product. There is thus a relation between what they produce and what they receive. If any man taken at random off the street were as competent to manage successfully a bank, a factory, a railway, or a shipbuilding plant, then managers' wages would be as low as that of day labor. But, in fact, good managers, because of the difficulties of their positions, are very scarce, and the demand for them, as industry expands, becomes increasingly intense. The man who, during the war, has shown high executive ability has been pursued by the offer of very high wages. The reason why one man gets only \$400 a year and another gets \$40,000 is that marked capacity is rare. Indeed, if a manager is successful in building up the business of a large factory or a railway, — often taking it out of bankruptcy, — he may gain millions for his company, out of which his managerial wages form an insignificant fraction. A highly paid manager is, therefore, often the cheapest man to his company. The manager is a laborer, and it is open to any other laborer of skill to obtain the wages of skill if he has the capacity. That is, the struggle for higher wages is not primarily a struggle between labor on the one hand and capital on the other, but a struggle between differing grades of labor accordingly as they possess more or less industrial capacity. To demand higher wages without any regard to capacity and skill leads only to a deadlock and a fight against a rising cost of production, higher prices, and a higher cost of living to all persons having fixed incomes.

Managerial Function of Directors

It is to be noted, also, that managerial functions are exercised not only by executive managers but also by the directors of corporations. The success of modern business operations on a large scale often depends more upon the sound judgment, foresight, ability and industrial experience of directors than on the executives chosen by them. For their services to industry they deserve a suitable reward. In practice they receive no wages of management. They are, in fact, recompensed only by the larger dividends they receive as stockholders whenever the success of their policies brings in larger returns to the companies which they serve. Hence, large dividends in many cases are due to the skill of management of men who are not often recognized, but who are nevertheless the true causes of industrial success. Without them earnings would disappear. The presence of these earnings of skill is no reason why they should be claimed by some other factor of production that could not have been the cause of them.

In Great Britain, where the demands of labor have been carried to the greatest extreme, various intentions as to the extent of control over management have been expressed. It is urged that if the workers had a larger share in the management of industry they would so modify the methods of distribution that an increased product would increase wages; in that case they claim that there would be no opposition by the workers to exerting effort to enlarge productivity. It was also held that as long as companies showed large profits they had the means for paying higher wages. On the other side, it was claimed by the employer that so-called profits were much misunderstood, and were really not in the form of cash, but only a statement of what had been taken from the yearly proceeds of the industry for depreciation, risk, and the enlargement of the industry, so that more labor could be employed and more product turned out in the future; that statements as to earnings were misleading, that they often were only statements on paper of the form in which parts of the proceeds from the sales of goods had gone into various forms of the industry. The opposition on the part of some workers to the necessary setting up of reserves and the use of profits for the expansion of business facilities is most unfortunate.

Labor Demands Share in Management

Some explain that labor organizations aim only at a share of control over shop conditions; but, in fact, the most intelligent and enterprising leaders, while admitting that laborers may not now have in their ranks men competent to assume charge of all the functions of management, evidently look forward to the assumption of the supreme tasks of management sooner or later. Their purpose, however, in attempting to gain control is not so much to increase the efficiency of production as to obtain a position of authority through which wages may be fixed at a rate more satisfying to the recipients of wages. That is, it is assumed that wages can be increased at the expense of some other factor in production. In the event that the workers should obtain control of industry, it is clear that it would result only in an exchange of managers. They do not seem to realize that managerial jobs would be found only for a few new managers in place of the old, and that the new managers would have to succeed in all the functions above indicated; otherwise, the business would fail and loss to all would follow.

It is to be remembered, when organized labor refers to the high published rates of dividends of some companies as an evidence that they can pay higher wages, that in many cases the increased productivity yielding such results has not been traceable to the workers; in truth, it has been due to the devising minds in the management. The steady increase in wages during many past decades has often been possible only because methods and machinery have enabled a larger return to be earned out of which higher wages could be paid. There are numerous proofs of this general statement in our own economic history; but it has been signally verified by frequent instances which developed in the course of war production in the United States.

Increased
Productivity
Not Due
To Labor

CHAPTER V

FURTHER OBSERVATIONS

The most important object of your Commission was so to study European conditions as to be able to indicate the main lessons which could be brought home to our producers for their guidance and enlightenment.

In Great Britain wages in the past have undoubtedly been very low. In spite of a low cost of living, conditions were extremely unsatisfactory. In all our interviews we were most impressed by the conviction of British employers, freely spoken and strongly emphasized, that the grave situation which has now arisen between employers and employees is mainly due to the neglect by employers for years past of a proper interest in their employees. There is now no question as to their wakening to the situation, and as to a desire to correct the wrongs of the past in a fine spirit of humanitarianism and fair play; and they recognize that their workers should have greater opportunities and better conditions of life. Many of them are conscientiously engaged in trying to find the means to bring about this end. If the attitude of labor leaders shall continue to be uncompromising and radical, without any spirit of co-operation, demanding restrictions on production at the same time that they ask for shorter hours and increased wages, there is before Great Britain a very serious period of disturbance to industry until both sides reach, by sad experience, some basis of co-operation based on sound economic principles. Practically all the employers interviewed in Great Britain strongly advised against the complete organization of employees or the urging of any policy which would lead to that end. They did not favor a development of labor unionism as such because of the practical difficulties in securing a conservative attitude of mind among labor leaders. They would welcome and co-operate, however, with a more moderate and conservative unionism. Granting this type of co-operation it is possible that English managers may have learned so much as to modern equipment and business organization that they may

greatly improve their position in international competition.

From France, the lessons to be drawn are very different from those of Great Britain. The shortage of labor before the war and the terrible losses on the battlefield have produced a marked result on the thinking of French workingmen and their leaders, so that, as above stated, they no longer oppose the introduction of labor-saving machinery and methods for furthering efficiency of production, but even demand that employers provide the most efficient methods and equipment. Moreover, as the establishments employing over 50 laborers are few, the relation between employers and their workers is generally intimate. As the unions include not over 20 per cent of the laborers, a strike is not likely to be as serious as in Great Britain. Although the newspapers report great activity by the Bolsheviks and extreme radicals, the labor situation is not regarded as very serious. The great body of French workmen are not in favor of violence and lawless methods. There may be deduced from the French situation a lesson that labor's best interests are served by co-operation with management in securing the highest efficiency of production.

The really difficult problem in France today is to find the credit with which to obtain coal, materials, and, in the devastated area, machinery to enable the factories to employ labor, turn out goods, begin to export, and help to improve the foreign exchange and the value of the franc. The burden of the debt is very heavy. In the past indirect taxes have been relied on. Today the country is faced with the necessity of a resort to direct taxes, especially on incomes, to which there will be bitter opposition by the peasants as well as by the middle and richer classes. Unless such taxes are imposed there can be no proof to her creditors that France can carry not only the interest on her debt, but also the other burdens of the war, together with her normal budget. Until this proof is given, little credit is likely to be forthcoming. But the new taxation would be so unpopular that any ministry proposing it would be driven from office. In such a situation business is largely at a standstill; and, it must be added, there seems to be on the part of governmental authority a very inexplicable opposition (now tending to pass away)

Lesson from
France

Credit for
France

Italy

to imports, a policy which prevents any considerable employment of labor. This policy seems to be due partly to a desire to protect the foreign exchanges and partly to shield French dealers at home from foreign competition. Hence the revival of her normal industry must come slowly. The reliance on the German indemnity will not bring early or certain recovery. France must, as often before, rely on the thrift and persistent industry of her people. The socialistic influences in her Chamber of Deputies attract attention but do little to save the day.

In Italy, since only a small percentage of the laborers are organized and since these are now dominated by extremists, some Italians suggested that, if all workers were organized the action of the unions would be more conservative. But in Great Britain, where most of the men were organized, the supposedly conservative elements were either unable to control the radical elements, or, as was usual, they did not sufficiently interest themselves in union affairs to make their influence felt. It is believed by your Commission that the Italian employers would drift into exactly the same situation as that in Great Britain if their workers became fully organized, so that the radicals could wield a heavier club. Herein lies a lesson for the United States. The outcome of a wrong point of view in Great Britain and Italy should serve as a warning to keep industry in the United States from drifting into the same difficulties.

Labor not a Commodity

There can be no doubt that the modern ebullition of a radical labor doctrine has made adjustment difficult. The tendency of unionism has been to discourage individuality and ambition. It has demanded that labor should not be regarded as a commodity. It is true that labor should unmistakably be regarded as the effort of human beings; and the inevitable corollary follows: that human beings vary widely in industrial capacity and efficiency; practically no two are alike. Although the meaning of the phrase that labor should not be regarded as a commodity is not clear, it is implied that wages should not be determined by demand and supply, that is, by skill or scarcity or by productive

capacity, but should be paid on the basis of needs as a human creature; that, whether abundant or not, all labor should be paid a wage sufficient to provide not only the necessaries of life, but also comforts and recreation; that, if the cost of living rises, wages should rise perforce. Such a theory, of course, assumes an inexhaustible source from which increasing wages can be drawn. If wages are claimed for men as human beings, irrespective of their inequality or difference in productive capacity, that would lead in turn to a still higher cost of production and a still higher cost of living. Antagonism against privilege and monopoly is a characteristic of the present times. One craft or one union, therefore, cannot hope to better its conditions by trying to obtain a monopoly of high wages that is at the expense of all other workers; but, even if all workers by organization and compulsion should be able to force a proportionate increase in wages, it inevitably follows that no one would be benefited by the ultimate result, because there would ensue a corresponding increase in the cost of living to all members of society. We cannot reason from the conditions during the war. In that period, if employers made "concessions," they were necessarily made on the assumption that the increased cost could be passed on to the purchaser. So long as the purchaser was the Government, the increased cost was taken up in the national debt; but in times of peace the general body of purchasers bears the burden; the workers are, obviously, a part of the consumers, and their condition is affected not only by the wages they receive but also by the prices charged. There is no way out in that direction. Indeed there is no other permanent way to bring about higher wages than by creating higher individual productivity. Employers and employees should be as one in enforcing this principle; and employers can best serve the common interests of both laborers and producers by encouraging industrial training and every possible plan for instructing their employees so that their productive efficiency can be promoted. Then wages should rise with the rise in industrial efficiency. That is the crux of the whole matter.

By many labor leaders no such conclusion will, during the present radical upheaval, be easily accepted.

**Two Ways
to Get
Higher
Wages**

They are pointing to control of industry and nationalization as a means of changing the system of distribution and raising the share of labor. Any concession gained by pressure towards this end is accepted as a matter of course, not as a basis for content, but as a new starting point for a further advance to their objective. The public does not realize this attitude. It is sympathetically assumed that "something must be done" for labor, because wages are too low, and that employers should make "concessions." In truth, two different points of view are being confused. On the one hand, there is a way to increase a laborer's standard of living by developing his productive power; on the other hand, disregarding such a method as too slow, and, unwilling to recognize that men are industrially unequal in capacity, some labor leaders of the present day propose a short cut to higher returns by overturning the present social order.

This general policy may seem very distant to Americans, but the tendency to Government ownership is one indication of a movement in this direction. Too often it is the first step that costs. Already our own experience throws some light on this policy. The demoralization and inefficiency of the railway and telegraph companies under Government management in the United States, during the war and after the armistice, give striking evidence against the efficiency of governmental ownership.

The study of British conditions convinced us that the remedy for industrial discontent was not to be found, as some have asserted, in the complete inclusion of all laborers in the unions. With the present known attitude of labor leaders, a thorough unionization of all workers would only mean handing over to them a greater power for radical action and for the eventual destruction of orderly government. Moreover, many British employers realize this to be the issue; and they are hesitant to follow the urging of governmental officials to join in universal joint conferences for discussion of labor troubles. What is fundamental is not the means for joint discussion, but the creation of such a normal, rational point of view on both sides as will allow of co-operation towards increasing productivity. It is possible, however, that joint discussion may help to bring about a helpful point of view. But if there is

**Remedy
not a
Unionization**

**Shop
Councils**

evident a hostile, radical element insisting on shop stewards and works councils, with the obvious purpose of using them against the employer through methods of threats and force to gain concessions, then such machinery is worse than useless as a means of adjustment. Behind all mechanical devices for bringing employers and employees together there lies the necessity of first reaching a right attitude of mind. So far it has not been shown by experience that joint councils, or joint industrial conferences in themselves, can or have brought about that desired attitude of mind. In themselves they are no remedy for discontent.

In regard to the associations of employers in Great Britain there was apparent the usual individualistic attitude which made co-operation difficult. The peculiar conditions of the war, no doubt, changed this attitude more or less. The necessity for the Government to deal with all the producers in a given industry made it necessary to form organizations of employers. Moreover, the growth in trade union organization was stimulated by the war; hence, in self-defense the employers sought to increase the strength of their organizations so as to at least parallel that of the trade unions. While some employers' organizations are essentially only a means of self-defense when they are face to face with a militant and threatening organization of labor, some associations, like that of the Federation of British Industries, have for their aims the promotion of active co-operation between employers and employed on questions generally affecting labor. In France employers are organized mainly within the lines of each industry. There seems to be no national organization of producers. In Italy employers in the North have organized to act in unison on such questions as the eight-hour day and a minimum wage.

Without doubt the main recommendation of your Commission to American industrialists, after its examination of conditions abroad, is that each employer should regard it as his personal duty to establish direct and cordial relations with his workers. It will not do to drift into a policy of neglect, as have some British employers in the past, which has borne such bitter fruit in the dissatisfaction of the present day. The employer must see to it that no charge can be brought

Employers' Associations

Duty of Employers

**Employers
Must Take
the Lead**

against him of not intelligently looking out for the interests of the rank and file in his establishment. The examples of Lever, Cadbury and Rowntree among British employers have already been equaled in this country, but their example is nevertheless to the point. For us the point is that everything depends upon the spirit of humanity and sympathy which animates both parties to the wages contract. First of all, more is expected of the fortunate and successful, because of *noblesse oblige*, than of those who have had less opportunity and success. The employer must take the lead; much in the way of leadership is expected of him. He must generally plan to prevent grievances from rising by showing a genuine interest in a fair system of remuneration, in healthful shop conditions, the proper and sanitary housing of his workers, and the welfare of the community in which his plant is located. If he is really at heart trying to raise the standard of living, as he ought, of his employees, he should, moreover, be occupied not only with questions of wages or material rewards, but with matters which will cultivate the intelligence, morals and character of men. Granting this attitude of mind, then, there must be a corresponding point of view on the part of labor if any permanent and peaceful adjustment is to be accomplished.

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$$(z^2 - \omega^2)^{-\frac{1}{2}} = z^{-1} \left(1 - \frac{\omega^2}{z^2} \right)^{-\frac{1}{2}}$$